

SECRET

25X1

NIO/USSR
10 July 1986POINTS FOR SATURDAY SEMINARThe State of the Gorbachev Regime

After an impressive first year, the pace has slowed. Gorbachev has probably not run out of gas. But his honeymoon is certainly over. He's now into the hard part on all fronts and cannot trade just on the contrast with the past. We shall now see what he and his team are really made of. At the June Plenum, he sounded determined (if frustrated) and he clearly identifies the most formidable opponent to his plans -- whatever they are: the recalcitrant party and state bureaucracy. The most critical thing one can say about Gorbachev right now is that he does not (and cannot) recognize the true systemic sources of the USSR's problems; and therefore he doesn't (and can't) have a comprehensive strategy for fixing them. Gorbachev's regime may turn out to be only a more energetic version of muddling through. At worst, he could turn out to be the Malenkov of the 1980s.

On the political-leadership front:

Gorbachev has largely defeated the top Old Guardists, and built a strong Moscow power base. But this has involved some temporizing with Shcherbitskiy and perhaps Kunayev, indicating the power of local satraps.

The key to Kremlin politics now is whether there are significant differences among the new team, especially between Gorbachev and Ligachev, and especially on domestic issues. There probably are. But they do not appear to challenge Gorbachev's position or the direction of his policies. Rather they involve how far, how fast to go, and specific measures. Moreover, Gorbachev, while not a liberal, is on the progressive side of the issues. This means that challengers will bear a heavy burden in explaining what they propose to do. Gorbachev is probably not in real political danger unless he commits some big mistakes like Khrushchev did, i.e., costly international adventurism, alienating the party as an institution (rather than dumping some and rewarding others), or failing to watch his flanks.

As indicated, the real political "enemy" is the entrenched bureaucracy, not just as a big Mafiosi, but even more troublesome, Gorbachev complains, as a pattern of behavior and immobile habits. The battle against it is just beginning. An historical perspective leads one to wonder whether anything short of a great purge -- rejected by Gorbachev at the Congress, but clearly being thought about -- will do the job.

SECRET

25X1

SECRET

25X1

On the economic front:

There have been some promising returns on the discipline campaign in improved growth rates for the current year. But sustainability remains doubtful, especially without real improvements in the incentive and management structure.

The final version of the 12th Five Year Plan has clarified the near-term economic strategy a bit, with it heavy stress on investment in machine tools. But it has become even more ambitious. Almost no outsiders believe the goals are attainable. But any substantial improvements would be rated success. The real tests of success in the near term involve accelerating the pace of technological advance in industry and generating (hope-inspiring progress on consumption. Both of these require real reforms.

Gorbachev has talked about "radical reform." But he not only faces resistance, he has given no clear indication that he knows how to do it even without resistance. He's feeling his way along without much but a general sense of direction. He and we don't know how he'll proceed on striking the balance between improved central planning and enterprise autonomy, on price reform, and on privatizing in the service/consumption sector. All these are vital.

The outlook is, on the whole, for disappointment in the next couple of years, with mounting pressure for more decisive steps toward decentralization or toward more discipline. But the disappointments are unlikely to be sharp and large, and the pressures will tend to mount gradually.

Elsewhere on the domestic scene, the big news is on the cultural front where things are loosening, and heating, up. Gorbachev allowed and even encouraged the recent milestone congresses of cinematographers and writers, with their open debate and new, more liberal leaderships. His motives were to gain some political allies among the intelligentsia and to placate an educated population hungry for more exciting cultural life. But most of the energy behind this development comes from the intelligentsia itself. It won't be too easy to channel or turn off. The results may burn Gorbachev more than they help him politically. Again, it will be a test of what he's really made of: Do we really believe that this apparatchik from Stavropol will like what an unshackled cultural establishment is bound to produce?

Chernobyl is still echoing, politically, economically, and socially, despite our tendency to forget about it. The full impact of this disaster is only beginning to seep around the Soviet Union and beyond its borders.

On the foreign policy front, the hallmarks are, so far:

|| A remarkable degree of continuity in the basic strategic directions of foreign policy, toward the West, toward East Europe, toward China and Japan, and toward the Third World.

SECRET

25X1

SECRET

25X1

A significant reorganization and restaffing of the central foreign policy apparatus, which is still on-going and probably controversial. The Central Committee staff is clearly more important; this will last. Dobrynin is clearly very important; we'll see how well he fares.

A quest for improved tactics, style, and activism which is now beginning to show returns, especially in actions toward the West. The Gorbachev regime is learning what it takes in style to break through to critical Western elites, but without fundamental concessions, i.e., the latest arms control proposals, the new sweettalk toward Bonn, the soft united front line toward the Eurocommunists and the Euro-Left.

Soviet Policy toward the US: Does Gorbachev Want (Need) a "Deal"?

Gorbachev's policies toward the US are animated by several considerations:

An image of activism is helpful to his political position and contrasts with the recent past. Whether hard or soft, successful in substantive terms or not, an image of activism helps counterbalance the troubles and disappointments of the domestic scene.

For all the reasons we've belabored over the past year, an activist foreign policy requires continuing engagement with the Reagan administration, however unforthcoming it is, to amplify the restraining forces on Reagan and to give NATO governments room for playing to the East.

Gorbachev's most important goal in the US-Soviet relationship is to revive or recreate something like the arms control framework of the 1970s, currently eroding, which will impart some predictability to the arms competition at a time when it threatens to evolve in an especially unpredictable way (e.g., SDI) and his economy is especially likely to be hurt by this.

In order to get the revived arms control framework, Gorbachev is ready to contemplate major reductions in all categories of nuclear weapons, also sought by the US.

Here, supposedly, is the key to the "deal", the "grand compromise" of which we hear every other day from the establishment media. But what is the nature of the deal in question?

Despite the convergence of views on nuclear reductions, the underlying aims and premises of the two sides are still quite far apart.

Reagan wants a framework in which nuclear reductions and technology exploration of strategic defenses go forward in a stately procession to a future in which nuclear offensive forces are essentially useless, and mutual assured defense is either agreed by the two sides or enforceable absent agreement. He wants his arms control framework to bless this enterprise, if possible, at least not to block it legally or politically.

SECRET

25X1

SECRET

25X1

Gorbachev, on the other hand, wants and needs the arms control framework to block SDI through legal and political constraints. SDI, for all its improbabilities, is the most volatile and frightening unknown in the strategic equation. The longer it goes on, the more it acquires a life of its own (technology lure, and congressional districts). To cut his nuclear forces while SDI is a live prospect gives up his political leverage on Washington and his cheapest military response options. Moreover, he does not really like the world of mutual assured defense because this would blunt the nuclear part of the USSR's superpower image, which will never be reduced to zero.

Closure between these two positions requires one of two things to happen:

Either Washington or Moscow gives in to the "vision" of the other side, which seems unlikely.

Or the two sides settle on a compromise, involving the ABM Treaty or a substitute, which Washington believes will legitimize SDI and Moscow believes will kill it sooner or later.

The latter possibility is what we are now dickering about. There is a bit of a parallel with the early SALT/ABM saga. Washington accepted the package in the expectation of real constraints on the Soviet offensive buildup. Moscow accepted it to get constraints on US offensive and defensive programs, while legitimizing its own. In November 1980, the American voter rendered a judgment on, among other things, how this turned out. Gorbachev is hoping that the American voter has, once again, shifted his opinion on this.

Gorbachev has gone quite far in his efforts to sweeten the deal.

The US wants deep reductions (for reasons it, unlike the General Staff, does not seem to have thought through). OK, the USSR is for deep reductions.

The NATO allies respond, in a remarkable but probably transient recovery of strategic sense, that we cannot forget about the conventional balance. And Gorbachev responds that this too, including doctrine and system asymmetries, is on the table.

This all sounds very inviting in theory. Perhaps with dilligent negotiations and some unusual clarity of purpose, we can get both the kind of nuclear reductions and the kind of general purpose force restructuring in Europe (cutting the Soviet offensive edge) that would warrant accepting some Soviet-held leash on SDI. Where's the catch? There are several.

SECRET

25X1

SECRET,

25X1

First of all, the "grand compromise", with or without the conventional forces involved, will be impossible to negotiate over two years -- if ever. But the political effects of granting its premises -- namely, that SDI is a threat to arms control -- could start to work immediately. The President will argue that he must have his SDI budget to pressure the Soviets on offensive arms reductions. But the Soviets will argue that every technological step forward on SDI makes them more unable to countenance offensive reductions, while reductions make SDI a waste.

Many of the proponents of the grand compromise argue to the President that it will help SDI. But they don't really believe this. They believe that SDI won't really work, that it will fall of its own budgetary weight, and that we better cash in while we can. If we don't, the 1990s will be an unstable, costly mess. These people are not going to help the President or his successor win the political gamble as to whether the grand compromise helps or hurts SDI. Dobrynin, Arbatov, etc., know this; they talk to them all the time.

Quite apart from the enormous complexities of the grand compromise at the strategic level, no one really knows how to work the conventional side for real military stability. As a result, we would probably end up talking about slightly larger symmetrical reductions of conventional forces.

If nuclear reductions and some symmetrical conventional reductions were somehow to come about, both would make it easier for the Soviets to implement the Ogarkov Line: better offensive theater forces, based on hi-tech, under the umbrella of smaller but still credible (sans SDI) nuclear forces. Will the US and NATO rebalance the equation on the conventional front? You guess.

The prospects for agreements or even serious negotiations along these lines are dim because the underlying aims of the two sides are very conflicting and the conceptual confusion is so great. The current game, as conducted by both sides, is really over the political atmosphere in the West, in Europe and the US. The most tangible aim of Reagan is to look credible in the West. Gorbachev's main aim is also to look credible in the West. His credibility is less at stake in the short run in the Kremlin.

For this reason, he is quite interested in another summit, even a media event. His main fear is not that he will look like a loser, but rather than he will give up one of his main levers on Reagan if he sells too cheaply. This is a tricky calculation for him; and he'll keep his options open as long as he can. But if the possibility of some movement toward the grand compromise appears open and some other untoward event doesn't intervene, he'll probably come.

But it is much less likely that all this will lead to a real deal on arms control that closes the gap between the two sides and produces agreement before the end of Reagan's term.

SECRET,

25X1

SECRET

25X1

The strategic issues at stake for Moscow are too great to allow the Soviets to concede more of real substance than they already have, especially on SDI.

The economic pressures that would force the Soviets to move further on the strategic issues -- or the regional issues to move the US further -- are unlikely to mount so critically in the next two years that they change the Soviet calculus.

1988 is so close upon us that the Soviets cannot help but look beyond it. And there's too little time to resolve basic matters. Even if the President conceded quite a lot on SDI, it's hard to see how he could get much beyond a Vladivostok-type agreement in the remaining time.

This does not mean there won't be "movement" of some kind in the relationship. The Soviets very much want this administration to join them in debate over the "grand compromise". They have room to show flexibility on exactly how SDI is shackled because they want to get us more deeply into this debate and because it is unlikely to be concluded under this administration. They will use this flexibility to keep the game going, until or unless they conclude that the President is exploiting it for his purposes more successfully than they are for theirs. Then, as 1988 approaches, they will be ever more inclined to pull back to show that Reagan's hard line has produced mismanagement of the US-Soviet relationship.

SECRET

25X1